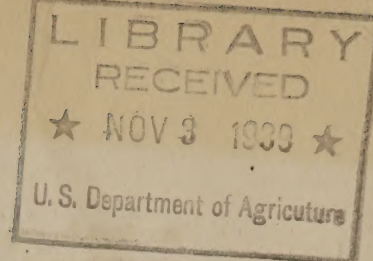


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BURLEY TOBACCO NOTES FOR COMMITTEEMEN

LARGE SUPPLY ON HAND: The total supply of Burley tobacco in the United States has been increased 46 million pounds above the supply a year ago to a level of 1,046 million pounds. This is the third largest supply in history.

OUTLETS REMAIN FAIRLY CONSTANT: About 96 per cent of our Burley crop is used in the United States. Although there has been a continuing upward trend in the amount used in cigarettes, this has been largely offset by declines in chewing tobacco. The use in smoking tobacco remains rather steady.

CROP EXCEEDS CONSUMPTION: The 1939 crop of 754 million pounds is at least 15 million pounds above the present consumption level. The 1938 Burley crop also exceeded consumption.

SURPLUS AFFECTS PRICE BUT NOT CONSUMPTION: Surplus production causes lower prices. This was clearly borne out in 1931, 1932, and 1933 when large surpluses were on hand. Yet, in spite of the ruinously low prices, consumption was actually smaller than at any other period in the last 15 years. Continued uncontrolled production above consumption requirements would mean lower prices than in the past five years.

QUOTAS HELP BALANCE SUPPLIES AND MAINTAIN PRICES: Marketing quotas are designed to enable farmers to regulate marketings, following years of surplus production, in order to balance supplies in line with trade needs. The amount of tobacco which can be marketed over a period of years is determined by the amount which can be consumed. The amount of Burley consumed will be the same with or without the marketing quota. Without quotas low prices would eventually cause an adjustment in supplies. Quotas help to balance market supplies with demand and thereby tend to maintain Burley prices at fair levels. Marketing quotas may be used only when the supply is more than 5 per cent above the normal supply, and must be approved by two-thirds of the Burley growers voting in a referendum.

BALANCED SUPPLIES BENEFIT ALL PRODUCERS: Marketing quotas are for the benefit of all producers, regardless of size or circumstance. Since growers receive a greater total net income from Burley tobacco when marketings are kept in line with available outlets than when they fluctuate widely, the interest of individual growers is best served by regulated

marketings. During the past five years, the income of Burley growers amounted to an average of 61 million dollars a year, compared with 48 million dollars a year for the five previous years. This occurred notwithstanding the necessity of keeping the average annual production for 1934-38 about 75 million pounds below the average of the preceding five years to eliminate surplus accumulated during this period. Stated another way, from 1929 to 1933 Burley growers sold approximately one-fourth more tobacco for one-fifth less money than during the last five years. It is estimated that the average price of Burley tobacco has been at least 5 cents a pound higher during the years that the AAA Farm Program was in effect than it would have been without the program.

ACREAGE ALLOTMENTS BASIS FOR QUOTAS: Last summer Congress passed amendments to the Farm Act of 1938 which made several significant changes in the marketing quota provisions. These changes were recommended by tobacco farmers. Probably the most important from the standpoint of the individual farmer is the amendment under which the marketing quotas for farms will be the production on the acreage allotment. This means that each farmer can market without penalty the entire production on his acreage allotment. Since cooperating farmers can now market all of their tobacco, there will be no transfer of quotas from one farm to another. Non-cooperating growers will have a flat penalty of 10 cents per pound on tobacco marketed in excess of the actual production on their acreage allotments.

SMALL FARMS: Allotments for small farms will bear about the same relation to the allotments for other farms as that which prevailed under the programs of the last two years. In determining the 1940 acreage allotments of the usual or normal Burley tobacco acreage established by AAA committees will be used as a basis for all farms, large and small. To bring the individual farm allotments within the State acreage allotment, there will be a prorata reduction for all farms, large and small, from the normal acreage. After these computations, the resulting allotments for small farms will be increased by 20 per cent, but not above the acreage which, with normal yield, would produce 2,400 pounds of tobacco. Such increases will be in addition to the State acreage allotment.

ADJUSTMENT OF ACREAGE FOR 1940: Because of the increased Burley stocks resulting from recent crops, the 1940 allotments will require adjustment from the 1939 plantings of Burley growers in order to bring supplies into line with consumption. The average reduction from the 1939 allotments will be about 10 per cent for regular tobacco-producing farms. (Flue-cured growers are making a 20-per cent adjustment from 1939 allotments). Any farm on which the 1939 harvested acreage was

materially larger than the 1939 allotment will not be entitled to an increased allotment in 1940 because of the excessive 1939 acreage on the farm.

EUROPEAN WAR NOT LIKELY TO HELP DEMAND: Since only about four per cent, or from 12 to 13 million pounds, of Burley is normally exported, Burley growers are not likely to be benefited by the present war. In the case of flue-cured tobacco, over half of which is exported, the war influence thus far has been detrimental. This was the case during the last World War when prices broke sharply in the early years of the war. It was during and immediately following the last War that rapid expansion was being made in the consumption of American type cigarettes. However, cigarette consumption is now world wide in scope, and new outlets are not anticipated. The most optimistic view for the duration of the present war would be to maintain the present outlets at current levels.

WHAT HAPPENED IN FLUE-CURED: Flue-cured growers have a 200 million pound surplus from this year's crop. During the first six weeks of the 1939 season, prices were almost 8 cents per pound lower than last year's season average price. Buyers for the British trade who usually take about 1/3 of the crop were withdrawn from the market on September 8 because of the European War. Warehouses were closed in order to prevent price collapse. Following the approval of quotas on October 5, plans were completed for Government financing of the grades normally taken by the British trade, and warehouses reopened October 10. Under this plan, prices since the reopening have been at about the same level as those prevailing before the market holiday.

Fortunately, the Burley tobacco surplus is not so burdensome as that for flue-cured. It will probably take flue-cured growers several years to work off the present surplus, during which time they can expect to receive lower prices than if supplies were in line with demand. And it took only one year to produce this surplus.

POTENTIAL BURLEY PRODUCTION: Burley growers are in a position to produce more than 500 million pounds of Burley a year. Sixteen States now grow Burley tobacco. It is up to growers to decide whether they will use control in 1940 or wait until the surplus gets bigger before taking steps to regulate the quantity of tobacco available for marketing.

ELIGIBILITY TO VOTE: Any person is eligible to vote in the referendum who as owner, tenant, or share-cropper shares in the proceeds of a 1939 Burley crop, or who planted such a crop and due to reasons beyond his control was unable to harvest any tobacco from the acreage. If several members of the same family participated in the production of Burley tobacco on a farm in 1939, only the member or members of such family who had an independent, bona fide status as operator, share-tenant, or share-cropper shall be entitled to vote. A list of eligibles will be prepared by the county office from records obtained in connection with the 1939 ACP. Any person not on this list will have his eligibility to vote challenged.

EVERY GROWER URGED TO VOTE: The vote on 1940 Burley tobacco marketing quotas is a part of the democratic process of operating the farm program. Since the decision whether to use the quotas rests with farmers themselves, each and every farmer is urged to express his choice at the polls. This vote will apply only to 1940.
